

December 26, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

THE COMMUNITY HEALTH PLAN
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and authorize the Director of Health Services, or his designee, to execute a sole source agreement, substantially similar to Exhibit I, between the Department of Health Services' Community Health Plan ("CHP") and the L.A. Care Health Plan ("L.A. Care" or "Local Initiative") to provide "network" health care delivery services, basic behavioral health services, and Health Plan Employer Data and Information Set ("HEDIS") services to support the CHP's State Managed Risk Medical Insurance Board ("MRMIB") Healthy Families Program (HFP) product line, effective date of Board approval through December 31, 2005.
2. Delegate authority to the Director of Health Services, or his designee, to negotiate payment rates for inclusion in the agreement, pursuant to an administrative amendment to be executed by the Director upon the completion of rate negotiations, on condition that the rates do not exceed those rates proposed by County to MRMIB.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

In approving these actions, the Board is delegating authority to the Director of Health Services, or his designee, to:

- execute a sole source agreement with L.A. Care to provide “network” (primary care, specialty care, hospital and pharmaceutical) health care delivery services, basic behavioral health services, and Health Plan Employer Data and Information Set ("HEDIS") services to support the CHP’s State Managed Risk Medical Insurance Board ("MRMIB") HFP product line, effective on the date of Board approval though December 31, 2005.
- negotiate payment rates for inclusion in the agreement, pursuant to an administrative amendment to be executed by the Director upon the completion of rate negotiations, on condition that the rates do not exceed those rates proposed by County to MRMIB.

On March 27, 2001, the Board approved a motion that instructed the Director of Health Services to seek the assistance of L.A. Care in an effort to improve the overall quality of the CHP. On June 26, 2002, the Board approved the Department of Health Services’ strategic plan to redesign the County’s health care delivery system, which includes contracting out the Office of Managed Care ("OMC") CHP’s administrative functions to L.A. Care. Consistent with the Board’s instructions, the Department is finalizing the terms of an agreement with L.A. Care to provide the CHP’s administrative service functions. Separate and apart from this activity, the CHP requires this agreement to comply with the terms and conditions of its State MRMIB HFP contract.

L.A. Care was selected on a sole source basis to provide “network” health care delivery services, basic behavioral health services, and Health Plan Employer Data and Information Set services to support the CHP’s HFP product line, based upon its mission to support the continued existence of the safety net health care delivery system, as well as its historic relationship with the County.

CHP has been a Plan Partner under L.A. Care and has maintained a working/collaborative relationship under the “Local Initiative” since the implementation of the State’s Medi-Cal Managed Care Program two-plan model during 1997. L.A. Care’s participation as a CHP subcontractor will: expand and strengthen the CHP’s County-wide HFP health care delivery services provider network; provide the CHP with County-wide access to the required HFP basic behavioral health services effective upon the date that the County Department of Mental Health declares that it no longer can provide this service; provide the CHP with the appropriate administrative support to conduct the required annual HFP HEDIS reporting, and increase the CHP’s HFP enrollment.

The CHP does not have the expertise to provide the HEDIS reporting services that are required under the terms of the Plan’s MRMIB HFP contract. The HEDIS reporting services are required on an intermittent basis, and are of a complex professional and technical nature. However, it was determined that L.A. Care has the unique technical expertise and staffing that is consistent with the MRMIB CHP HFP contract HEDIS report development and reporting requirements.

FISCAL IMPACT/FINANCING:

L.A. Care will be reimbursed on a per member, per month basis for the provision of HFP “network” (primary care, specialty care, hospital, and pharmaceutical) health services, and HEDIS services. L.A. Care will be separately reimbursed for the provision of basic behavioral health services to CHP subscribers of certain other CHP network providers in accordance with the all inclusive rate(s) and/or fee(s) defined in its subcontracts in existence at the time of this agreement’s execution, as well as for the provision of the full scope of required services (behavioral health care providers and/or hospitals). Funding is provided from capitation payments received from the State’s MRMIB for HFP subscribers.

L.A. Care’s behavioral health care provider and hospital rates are on file with OMC and are confidential. The rates of payment have been shared with each Board Office, the Chief Administrative Office, Auditor Controller and County Counsel.

The County has submitted proposed capitation rates for HFP services to MRMIB for its consideration. It is anticipated that MRMIB will consider and act on those rates no later than the end of March 2003. By this Board letter, the Department is requesting delegated authority to negotiate rates for inclusion into the agreement between the County and L.A. Care. The rates negotiated will not exceed those proposed by County to MRMIB.

The agreement form establishes a formula or process to guide the parties in their determination of the final per member, per month contract rates. In brief, the process relies upon the rate or rates that MRMIB ultimately agrees to pay the County. The Director will offer that rate to L.A. Care, less a defined percentage amount to cover the County’s administrative costs in connection with the new contract program. L.A. Care must accept that offer if the figure is at or above a defined threshold figure. If the offer falls below that floor, L.A. Care can accept the offer, but if it rejects it, the contract terminates on June 30, 2003. In the event of such termination, L.A. Care waives all payment for HEDIS services it has provided prior to the termination date.

As the procedure for determining the rates and the resultant rates are confidential pursuant to Government Code section 6254 and Health and Safety Code section 1457, they will be included by reference in the agreement by means of a confidential amendment, which, pursuant to the terms of the agreement, will be executed by the Director under authority requested to be delegated by your Board and by L.A. Care. Upon execution of the amendment, copies thereof will be provided in confidence to each Board member, the Chief Administrative Office, Auditor Controller and County Counsel.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The CHP, a full-service Knox-Keene licensed and federally qualified Health Maintenance Organization (HMO), is the County's publicly operated HMO administered by the Department's Office of Managed Care.

On April 16, 1998, the State MRMIB designated the CHP as one of the ten (10) State-approved charter HFP direct contract providers in Los Angeles County. On May 19, 1998, the Board of Supervisors approved the CHP's initial State/County Agreement with MRMIB effective May 1, 1998. The CHP's current State/County Agreement with MRMIB is effective through June 30, 2003.

Since the inception of the CHP's HFP product line, the Plan has subcontracted with Universal Care, Inc., a Knox-Keene licensed HMO to ensure that the Plan had: the appropriate County-wide coverage required for DMHC to approve County-wide licensure for the CHP's HFP product line; and sufficient number of "traditional and safety-net" providers to strengthen the CHP's ability to be awarded the status of MRMIB HFP Community Provider Plan (CPP) in Los Angeles County.

L.A. Care will terminate its own State-approved direct HFP product line contract with MRMIB effective June 30, 2003 and will begin participation in the CHP HFP product line as a subcontractor to provide health care delivery services effective July 1, 2003. L.A. Care's participation as a CHP subcontractor will: expand and strengthen the CHP's County-wide HFP health care delivery services provider network and will increase the CHP's HFP enrollment by approximately 7,100 HFP subscribers (L.A. Care's current HFP product line enrollment) effective July 1, 2003; provide the CHP HFP subscribers that are assigned to the CHP HFP network providers, other than CHP providers of Universal Care, Inc. and of L.A. Care with County-wide access to the required HFP basic behavioral health services effective April 1, 2003; and provide the CHP with the appropriate administrative support to conduct the required annual MRMIB HFP HEDIS reporting effective upon approval by the Board.

Network Health Services

CHP has been a Plan Partner under L.A. Care and has maintained a working/collaborative relationship under the "Local Initiative" since the implementation of the State's Medi-Cal Managed Care Program two-plan model during 1997. L.A. Care's participation as a subcontractor in the CHP's HFP will add additional unique 494 primary care providers and 962 specialty care providers to the CHP's existing HFP health care provider network.

L.A. Care is a non-profit, community health care maintenance organization that currently serves more than 800,000 Los Angeles County residents who participate in the State's Medi-Cal Managed Care Program, HFP, and CaliforniaKids. L.A. Care received its DMHC full-service health plan Knox-Keene license, and as the "Local Initiative", implemented the State's two-plan MMCP in Los Angeles County during 1997. In July 1998, L.A. Care also became a direct charter MRMIB HFP contractor in Los Angeles County. Since then, L.A. Care has established a provider network that includes the full scope of health care delivery and behavioral health service providers that have the excess capacity and the capability to provide the necessary services.

The CHP's HFP provider network is currently comprised of CHP network providers and Universal Care, Inc. network providers. L.A. Care's network providers will begin participation in the CHP's provider network effective July 1, 2003. The addition of L.A. Care as a CHP HFP "network" subcontractor will expand and strengthen the CHP's County-wide HFP health care delivery services provider network, and will increase the CHP's HFP enrollment by approximately 7,100 HFP subscribers (L.A. Care's current HFP product line enrollment). L.A. Care's "network" providers (primary care, specialty care, hospital, and pharmaceutical) will continue to provide health care delivery services to the HFP subscribers currently assigned to L.A. Care under its direct contract with MRMIB, and will allow CHP HFP network "primary care only" providers to refer CHP HFP subscribers assigned to them, to L.A. Care specialty care providers and hospitals, designated by L.A. Care to provide CHP HFP services. This referral process which is included in both the CHP HFP network "primary care only" providers' services agreements and the L.A. Care agreement, requires prior CHP authorization for non-emergency care, and allows CHP HFP network "primary care only" providers without a nearby County hospital, or as requested by CHP, access to L.A. Care's network of specialists and hospitals.

The expansion of the CHP's HFP provider network to include the L.A. Care provider network will also enhance and strengthen the CHP's ability to retain the HFP Community Provider Plan (CPP) designation in Los Angeles County, provide greater County-wide accessibility to services for CHP HFP subscribers, and increase the Plan's potential to receive additional ongoing HFP enrollment.

Behavioral Health Services

The CHP is required to provide its HFP subscribers with the full scope of basic behavioral health service benefits required under the terms of its State MRMIB HFP contract health care benefit package and the DMHC's Knox-Keene Health Plan commercial product line requirements. Since the inception of the CHP's HFP product line, the Los Angeles County Department of Mental Health (DMH) has provided the required behavioral health services through a Memorandum of Understanding for the provision of seriously emotionally disturbed behavioral health services and an interdepartmental referral process to DMH contractors for basic behavioral health services.

In early 2002, DMH informed the CHP that effective April 1, 2003, DMH would no longer be able to provide CHP HFP subscribers assigned to CHP HFP network providers with basic behavioral health services. DMH made this decision based upon the fact that its basic behavioral health services contractors were withdrawing from its provider network because of the low number of CHP HFP subscribers that were being referred to them for services. DMH determined that it would not be able to maintain a viable network of basic behavioral health services providers to ensure that there would be appropriate access to services for CHP HFP subscribers. Therefore, in order for the CHP to be able to ensure the provision of uninterrupted behavioral health services for its HFP product line subscribers that are assigned to CHP HFP network providers and in compliance with all regulatory agencies' basic behavioral health services requirements, the CHP requires a fully operational network of behavioral health services providers. L.A. Care has an established fully operational network of

County-wide behavioral health services providers that have the excess capacity to provide the required services to CHP HFP subscribers that are assigned to L.A. Care and also to CHP subscribers that are assigned to CHP network providers, other than L.A. Care and Universal Care, Inc.

L.A. Care's participation as a subcontractor in the CHP's HFP provider network will add additional unique 51 County-wide behavioral health services providers to provide the required basic behavioral health services to CHP HFP subscribers that are assigned to CHP HFP network providers. L.A. Care will begin the provision of basic behavioral health services to CHP HFP subscribers that are assigned to CHP HFP network providers effective April 1, 2003.

Health Plan Employer Data and Information Set ("HEDIS")

Under the State MRMIB HFP contract quality improvement provisions, the CHP is required to provide MRMIB with an annual CHP HEDIS report. HEDIS standardized performance measures are a set of selected managed care performance measures developed by the National Committee for Quality Assurance to evaluate services delivered to health plan subscribers/enrollees. The HEDIS performance report is generated through analysis of CHP collected information documented in administrative/encounter data, as well as abstracted through medical chart review, to ensure that the public has the information available to compare the performance of health care service plans. To maintain continued compliance with State quality assurance requirements, the CHP, as a HFP contractor under the MRMIB HFP, must submit an annual certified HFP HEDIS report.

The OMC does not have sufficient Quality Management staff to adequately conduct HEDIS medical records abstraction and/or the information system infrastructure to compile the requisite data and prepare the required annual CHP HFP HEDIS reports. Therefore, since the initial CHP HFP HEDIS reporting period of July 1, 1999 through June 30, 2002, the CHP has relied on purchase order contract vendors to provide the required HEDIS reporting services. Universal Care, Inc., which is currently the CHP's only HFP "network" subcontract provider, was determined to have both the infrastructure and resources required to compile and generate the HFP HEDIS reports for the CHP. Therefore, the CHP established sole source purchase order with Universal Care to compile and generate the Plan's 2000 and 2001 HFP HEDIS reports.

The CHP decided to develop its annual HFP 2002 HEDIS report and entered into several sole source purchase orders with various vendors to prepare and generate the Plan's certified 2002 annual HFP HEDIS report. Due to the Department's planned outsourcing of many of the OMC/CHP's existing Administrative functions to L.A. Care, the OMC will not be able to complete the CHP HFP HEDIS 2003 project in-house.

Since 1999, L.A. Care has had experience in coordinating and conducting Medi-Cal Managed Care Program HEDIS projects for participating Medi-Cal Managed Care Program Plan Partners. In addition, L.A. Care also has a direct HFP contract with MRMIB for the provision of HFP services and has conducted HFP HEDIS reporting for the previous two (2) years. In order to ensure compliance with both the Medi-Cal Managed Care Program and HFP HEDIS reporting requirements, L.A. Care maintains an efficient, comprehensive data collection and information systems infrastructure to ensure reliable, accurate and cost effective HEDIS reporting.

L.A. Care will be required to provide the CHP HFP with the full scope of health care services, basic behavioral health services, and HFP HEDIS reporting services that are required under the terms and conditions of the CHP's State MRMIB HFP contract and the DMHC's Knox-Keene Health Plan commercial product line requirements. L.A. Care will provide all contracted services through its staff and/or subcontract staff.

The agreement includes the Jury Duty and Safely Surrendered Baby law language recently approved and required by the Board. The agreement will provide for termination for convenience with 30 day advance written notice by either party.

Attachment A provides additional information.

Exhibit I has been approved as to form by County Counsel.

CONTRACTING PROCESS:

L.A. Care was selected on a sole source basis to provide these services based upon its mission to support the continued existence of the safety net health care delivery system, as well as its historic relationship with the County, in compliance with the Board's instructions for DHS to contract with L.A. Care to provide OMC/CHP administrative functions. Therefore, it was not appropriate to advertise on the Los Angeles County Online Web Site.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The services provided to CHP members under their current providers will continue uninterrupted.

The Honorable Board of Supervisors
December 26, 2002
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When approved, this Department requires four signed copies of the Board's action.

Respectfully submitted,

Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:ds

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

BLCD2164.DS
ds:12/28/02

ATTACHMENT A

SUMMARY OF AGREEMENT

1. Types of Services:

The sole source agreement with L.A. Care Health Plan (L.A. Care) will provide “network” (primary care, specialty care, hospital, and pharmaceutical) health care delivery services to CHP HFP subscribers assigned to L.A. Care providers, basic behavioral health services to CHP HFP subscribers assigned to CHP HFP network providers, and Health Plan Employer Data and Information Set (HEDIS) services to support the Community Health Plan’s (CHP) State Managed Risk Medical Insurance Board (MRMIB) Healthy Families Program (HFP) product line.

2. Agency and Contact Person:

L.A. Care Health Plan
555 West Fifth Street, 29th Floor
Los Angeles, CA 90013

Attention: Howard Kahn, CEO
Telephone: (213) 694-1250

3. Term:

Date of Board approval through December 31, 2005.

4. Financial Information:

The CHP/HFP receives State MRMIB HFP funding for eligible children.

Funding for the CHP’s HFP services is provided by the State’s MRMIB HFP on a per member per month basis, at a capitated rate for each CHP HFP subscriber enrolled in the CHP.

5. Geographic Area To Be Served:

Countywide.

6. Accountable for Monitoring:

Pauline Rodriguez, Acting Director.

7. Approvals:

Office of Managed Care: Pauline Rodriguez, Acting Director

Contracts and Grants Division: Riley J. Austin, Acting Chief

County Counsel: Nina J. Webster, Principal Deputy County Counsel